

2006

NEBRASKA

INDIVIDUAL INCOME TAX BOOKLET



easier filing,
faster refunds.

Questions?
Call Taxpayer Assistance
1-800-742-7474
(toll free in NE or IA)
or 1-402-471-5729



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Easier Filing – FASTER REFUNDS

You have other options to using the paper Forms 1040N and 1040NS provided in this booklet. **Electronic filing is the fastest way to get your refund, and it makes filing your tax return easier, faster, and more secure. See page 5 for details. Options include:**

- ▶ **Preparer e-file:** See your local electronic tax preparation professional displaying the e-file logo.
- ▶ **Commercially offered Internet e-file:** Access commercial tax preparation software from the department's Web site, the IRS Web site, or directly from the software company's site. Be sure to compare prices, discounts, and that the software supports state e-filing for Nebraska returns.
- ▶ **Commercial home computer software:** Purchase commercial tax preparation software over the Internet, by direct mail, or at retail outlets.
- ▶ **State provided Internet e-file:** Access the department's **NebFile** system for FREE e-file. Some eligibility restrictions apply.

E-FILE INFORMATION ON OUR WEB SITE

To link to the NebFile program, approved commercial e-file software, e-file preparer lists, and other e-file related information, visit our Web site at:

www.revenue.ne.gov

If you want to file using Internet-based e-file software and do not have use of a personal computer, you may be able to access the Internet at your public library or school.

The Privacy Act of 1974 says that when we ask you for your social security number we must first tell you our legal right to ask for this information, why we are asking for it, and how it will be used. We must also tell you what would happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. Our legal right to ask for the information is Nebraska Revised Statutes section 77-27,119. That law says that you must include your social security number with your return. Your response is mandatory under this section. We need the social security number so that we can properly identify you and process your return and other documents.

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Before you begin, note the following:

✓ NEW FOR 2006:

- **PERSONAL EXEMPTION CREDIT** for 2006 will be \$106 and will no longer be phased out at higher incomes.
- For 2006, the Nebraska standard deduction for married-joint filers is \$8,580; for singles, \$5,130; for heads of households, \$7,550; and for married-separate, \$4,290.
- **NEBRASKA PHASE OUT OF ITEMIZED DEDUCTIONS** has been eliminated. The allowed deduction for Nebraska will be federal itemized deductions actually allowed, whether limited or not, minus the amount of state and local income tax before limitation. (Lines 7 and 8)
- **Social security numbers are not printed on the label. You must enter your social security number(s) on the form where indicated.**
- A separate line has been established for the **underpayment of estimated tax penalty**. See line 36.
- **NEBRASKA CHARITABLE ENDOWMENT TAX CREDIT**. See line 26 instructions.
- **LONG-TERM CARE SAVINGS PLAN CONTRIBUTION**. See line 55 instructions.
- **ENHANCED SECTION 179 AND BONUS DEPRECIATION ADD BACK** lines have been deleted. No add backs are required for 2006 or beyond. Any taxpayer previously reporting a 2000, 2001, and/or 2002 tax year add back of bonus depreciation can subtract the second 20 percent of the amount of the add back for 2006. Any taxpayer with a 2003, 2004, and/or 2005 tax year add back can subtract the first 20 percent of the add back beginning in 2006. See page 12.
A new line for the enhanced Section 179 subtraction will be used to recover 20 percent of the amount previously added back in 2003, 2004, and/or 2005. See line 54.
- A **NEBRASKA EARNED INCOME CREDIT** (8 percent of federal amount). Complete line 34.
- As a reminder, Nebraska law continues to require that you enter your **high school district code** on your tax form. Enter your high school district code from the codes found on pages 17-20 of this booklet.
- **MAILING LABELS** are provided for your use. Affix the appropriate label (depending on whether or not you are requesting a refund) to the front of the enclosed envelope before mailing.



Most Nebraska filers have the option to file their 2006 Individual Income Tax Return electronically either through a qualified tax professional, or using home-based filing software. See inside cover and page 5 of this booklet or visit the department's Web site at www.revenue.ne.gov for more information.

- ✓ **IF YOU FILED FEDERAL FORM 1040EZ**, be sure to review Form 1040NS and the instructions on the back of the form to see if you can file that short form. It follows page 14 in this booklet.
- ✓ **REFUND INFORMATION**. If you calculate a refund on your income tax return you can check on the status of the refund by calling the department's refund inquiry number or checking our Web site (www.revenue.ne.gov). Please wait at least two months (or longer if you filed close to April 15) before calling 1-800-742-7474 (toll free in Nebraska and Iowa) or 1-402-471-5729. Be sure to have a copy of your 2006 tax return available because you will be asked your primary social security number and anticipated refund amount.
- ✓ **DIRECT DEPOSIT**. You can have your refund directly deposited into your bank account when you file using Forms 1040NS or 1040N, or through one of the department's e-file programs. Direct deposit offers convenience and security, but does not necessarily guarantee faster refunds unless you select direct deposit in conjunction with e-file, where your refund will be deposited to your account in 7 to 10 days for an error-free return.
- ✓ **PUBLIC HIGH SCHOOL DISTRICT DATA** is required for all taxpayers with a permanent place of abode or a domicile in Nebraska on December 31, 2006. If you reside outside Nebraska but are still domiciled in Nebraska, this information is still required. **The processing of your return and any refund may be delayed without this information.** Enter the **seven-digit high school identification code** from the shaded column of public high school districts on pages 17 through

20 of this booklet. Do not use any school identification code not included in the list. If you are unsure of the district where you reside, you may get the information from a property tax statement or by contacting the county's assessor or election officials. If you have property in more than one high school district, be sure to enter the identification code of the school district where your **home** is located. If you are a nonresident or a partial-year resident who does not reside in Nebraska on December 31, 2006, do not enter a high school district code.

- ✓ **COMPLETE YOUR FEDERAL RETURN** before starting your Nebraska return so you will have the federal information needed to figure Nebraska tax. If you do not have to complete a federal return to report a federal liability, you may still have to file a Nebraska return to claim a state withholding credit, or because you have \$5,000 or more of adjustments increasing income, such as non-Nebraska state or local bond interest that must be reported to Nebraska. In either situation, complete your Nebraska return with the same information you would have had to use if you did file a federal return. See more information following line 4 instructions on page 6 in this booklet.

- ✓ **THE NAME AND ADDRESS LABEL** can be found attached to the return envelope in the center of this booklet. It has been provided for your convenience and allows your return to be handled more efficiently. If any label information is in error, make the correction on the label and place it over the name and address area of the return. **Social security numbers are no longer printed on the label. You must enter your social security number(s) on the form where indicated.**

If you have someone else prepare your return, take your label to the preparer to be placed on the return. If you did not receive a name and address label, type or clearly print your name, current address, and social security number in the space provided. Include your spouse's name and social security number if filing a joint return.

- ✓ **DUE DATE**. Your Nebraska income tax return for calendar year 2006 must be postmarked by **April 16, 2007**. Mail your return to the Nebraska Department of Revenue, using the mailing labels provided in this booklet. **Use P.O. Box 98912 for refund returns (or returns without a payment), and P.O. Box 98934 if you are making a payment.**

- ✓ **TAX ASSISTANCE**—See the back cover.

- ✓ **ADDITIONAL FORMS AND SCHEDULES** are available at banks, some public libraries, most federal buildings, including U.S. Post Offices, the Nebraska Department of Revenue, 301 Centennial Mall South, Lincoln, Nebraska, and the regional offices shown on the back cover. Forms are also available on the department's Web site at www.revenue.ne.gov.

- ✓ **CONFIDENTIAL TAX INFORMATION** will be given only by return telephone call after the caller's identity has been confirmed. A taxpayer's representative requesting confidential information must have a power of attorney on file with the department before any information will be released. **A signed income tax return that is also signed by the preparer is considered to be a limited power of attorney** authorizing the department to release or discuss only the information contained on that return to the preparer.

- ✓ **FARMERS OR RANCHERS** deriving at least two-thirds of their yearly gross income from farming or ranching must check the box below the social security number block. You may be assessed an underpayment of estimated tax penalty for failure to properly pay estimated tax.

- ✓ **ROUND TO WHOLE DOLLARS** the amounts on your return and schedules. Round any amount from 50 cents through 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

- ✓ **SIGN AND DATE YOUR TAX RETURN**. An unsigned return cannot be processed. If you e-file through NebFile, you must provide your PIN. If you e-file through a tax preparer, you will need to sign a Form 8453N. Both husband and wife must sign their joint return. If another person signs this return for the taxpayer, a copy of a power of attorney or court order authorizing the person to sign the return must be on file with this department or be attached to the return. Include your daytime phone number in the space provided in case the department needs to contact you about your account. Any person who is paid for preparing a taxpayer's return must also sign the return as preparer. If the return is prepared by a firm or corporation, the return should also be signed in the name of the firm or corporation.

Who Must File

You must file a Form 1040N or 1040NS if you are required to file a federal return and report a federal liability. You must also file if you have \$5,000 or more of Nebraska adjustments to federal adjusted gross income, including non-Nebraska state and local bond interest income exempt from federal tax.

Residents

FULL-YEAR RESIDENTS are subject to tax on their entire federal adjusted gross income, even if some of it may have been earned for services performed outside Nebraska. A credit is allowed for tax properly paid to another state. Credit for Tax Paid to Another State, Nebraska Schedule II, must be completed and attached to the Form 1040N with a copy of the other state's return, including all schedules, to receive the credit.

A resident individual is a person who is domiciled in Nebraska or who has maintained a permanent place of abode and spent over six months in Nebraska.

Permanent place of abode means a dwelling place permanently maintained by the taxpayer, whether or not it is owned. It does not include a vacation camp, cottage, or dwelling place kept only for a temporary purpose.

EXAMPLE: Cliff and Nancy own a drive-in restaurant in Grand Island, Nebraska. They operate the restaurant from April through October each year. They also own a house in Grand Island and live there during the seven months the restaurant is open. During the months the restaurant is closed, Cliff and Nancy return to their home in Texas. They consider Texas to be their domicile because they own

a home there, they register to vote in Texas, and they hold Texas driver's licenses. Even though Cliff and Nancy do not consider Nebraska to be their domicile, they are full-year Nebraska residents for Nebraska income tax purposes since they maintain a permanent place of abode and spend more than six months in Nebraska.

Domicile is the place an individual considers his or her permanent home, the place to which he or she intends to return after a period of absence. A domicile, once established, continues until a new, fixed, and permanent home is acquired. No change in domicile results from moving to a new location if the individual's intention is to remain only for a limited time, even if it is several years. A person declaring a change in residence must show an intention to assume a new domicile while physically present in the new location for other than a temporary purpose.

EXAMPLE: Don and Deb own a home in Gothenburg, Nebraska. They also rent a townhouse in Richmond, Virginia. Every year from May 1 to September 1, they go to Virginia and stay in the townhouse while Deb teaches at a local university. Don and Deb are full-year residents of Nebraska for income tax purposes because the yearly trips to Virginia are only temporary. Their domicile is in Nebraska.

Nonresidents

The calculation of tax for nonresidents and partial-year residents is **not** a matter of simply determining Nebraska source income and calculating tax based on that income. Nonresidents and partial-year residents must calculate a tentative tax based on all income, and then determine actual tax liability based on the percentage of Nebraska source income to all income.

NONRESIDENT INDIVIDUALS who have income derived from or connected with Nebraska sources must file Form 1040N. They cannot file Form 1040NS.

A nonresident individual is a person who is domiciled for the entire year in a state other than Nebraska, and does not reside in Nebraska for over six months during the year. Nonresident individuals are subject to Nebraska income tax on all income included in federal gross income which is obtained from or connected with Nebraska sources. This includes wages, salaries, and other compensation earned in Nebraska. It includes the distributive share of income and deductions from partnerships, limited liability companies, S corporations, estates, and trusts. Only deductions which are related to income received from Nebraska sources are allowed. **Credit for personal exemption is claimed by nonresidents on line 69, Schedule III, and not on line 19, Form 1040N.** For more information, see instructions on Computation of Nebraska Tax, Nebraska Schedule III, on page 15.

Items of income, gain, loss, and deduction related to sources in this state include items directly associated with:

1. The ownership or sale of any interest in real or tangible personal property in Nebraska.
2. A business, trade, profession, or occupation carried on in this state.
3. The income from intangible personal property. This includes annuities, dividends, interest, and gains from the sale of intangible personal property to the extent that such income is from property used in a business, trade, profession, or occupation carried on in Nebraska.
4. Capital gains or losses and net operating losses, determined solely with respect to income, gains, losses, and deductions obtained or connected with sources in this state.
5. The income from fiduciary services performed for a resident estate or trust.
6. Amounts paid to a corporation controlled by a nonresident for personal services performed by the nonresident.

Nonresident partners, shareholders, or beneficiaries, whose only connection with this state is the conduct of the business activities of a partnership, limited liability company, S corporation, or trust, are not required to file a Nebraska income tax return if the organization has properly withheld and remitted tax from the nonresident's share of the organization's income. All of the withholding will be retained by the state in satisfaction of the liability. Any nonresident who files an agreement on Form 12N to avoid withholding must file Form 1040N.

Partial-Year Residents

PARTIAL-YEAR RESIDENTS OF NEBRASKA who have income derived from or connected with Nebraska sources must file Form 1040N. They cannot file Form 1040NS.

A partial-year resident is an individual who either establishes or ends his or her domicile in Nebraska during the tax year or resides in Nebraska for more than six months during the year. Partial-year residents are subject to Nebraska income tax on income included in federal gross income which is derived from or connected with Nebraska sources while either a resident or nonresident of Nebraska.

A partial-year resident will make those adjustments which relate to income subject to Nebraska tax. A partial-year resident may claim a Nebraska credit for the elderly or disabled, a Nebraska nonrefundable credit for child/dependent care expenses, or a Nebraska Charitable Endowment Tax credit on line 68, Nebraska Schedule III, or a refundable child/dependent care credit on line 32, (see page 9). **The credit for personal exemption(s) is claimed on line 69. Do not claim this credit on line 19, Form 1040N.** The earned income credit is calculated on lines 73 and 74, and then entered on line 34. For more information, refer to Schedule III instructions on page 15.

Important Information for All Taxpayers

PROCESSING OF YOUR RETURN MAY BE DELAYED WITHOUT THE PUBLIC HIGH SCHOOL DISTRICT CODE.

Under the law, resident taxpayers must enter their high school district code on their returns. Without this information, the processing of your return and any refund may be delayed. See pages 17 through 20 of this booklet for instructions and a list of high school districts.

FEDERAL FORMS W-2, W-2G, 1099-R, and 1099-MISC, Nebraska copy, must be sent to you by your employer or payor by February 15. If you have not received the form by that date, you should immediately contact your employer or payor. Request that the form be issued to you. If the Form W-2, W-2G, 1099-R, or 1099-MISC is incorrect, obtain a corrected form from the employer or payor. Such statements should be clearly marked "Corrected by Employer/Payor." If a wage and tax statement is lost or destroyed, request a substitute copy clearly marked "Reissued by Employer."

THE BALANCE OF THE TAX DUE must be paid in full with your return. Make your check or money order payable to the Nebraska Department of Revenue and type or print your social security number and the tax year on the face of your payment. See page 5 for details about electronic funds withdrawal and credit card payment options. An amount due of less than \$2.00 need not be paid unless the amount is for penalty or interest. Any overpayment of \$2.00 or more will be refunded. Any overpayment must be reported within three years of the original due date or timely filed date, or the overpayment will be denied.

CONSUMER'S USE TAX is imposed on the storage, use, or consumption of any tangible personal property purchased by the final consumer when the proper sales tax has not been paid, such as with deliveries into Nebraska from an out-of-state, mail order, or Internet seller. Individual consumer's use tax is to be reported on Nebraska and Local Individual Consumer's Use Tax Return, Form 3. Contact the Nebraska Department of Revenue or check our Web site for a copy of Form 3.

CHANGES IN YOUR FEDERAL INCOME TAX RETURN OR IN A RETURN FILED WITH ANOTHER STATE made by an IRS Processing Center, district office, or by the other state **must be reported to the department within 90 days of the change.** Report these changes by filing an Amended Nebraska Individual Income Tax Return, Form 1040XN, for the tax year involved. When requesting forms, please specify the tax year being amended. File any amended return separately from any other return. Include payment for any additional tax. Any taxpayer, upon request by the department, must furnish a copy of his or her federal return and supporting schedules.

FORM 1040XN 2006 is used to amend the 2006 Nebraska Individual Income Tax Return, Forms 1040N, 1040NS, or Nebraska TeleFile. For years prior to 2006, contact any of the taxpayer assistance offices listed on the back of this booklet for the correct form. An

amended return must be filed if information on a Nebraska income tax return previously filed is not correct. Form 1040XN 2006 cannot be e-filed.

PENALTY AND INTEREST may be imposed under the following conditions:

1. Failure to file a Nebraska income tax return;
2. Failure to file a return and pay the tax due on or before the due date;
3. Failure to file an amended Nebraska income tax return to report changes made to your federal income tax return;
4. Preparing or filing a fraudulent income tax return; or
5. Understatement of income on an income tax return.

The amounts reported on your Nebraska return, even if taken from your federal return, will not relieve you from the penalty for an inaccurate return or for filing a false or fraudulent return. **Any unpaid tax is subject to interest at the statutory rate from the original due date to the date the tax is paid.**

A NEBRASKA EXTENSION OF TIME to file Forms 1040N or 1040NS may only be obtained by:

1. Attaching a copy of a timely filed Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, Federal Form 4868, to the Nebraska return when filed;
2. Attaching a schedule to your Nebraska return listing your federal confirmation number and providing an explanation that you received an automatic federal extension by making a payment of your federal estimate of tax due using a credit card;
3. Filing a Nebraska Application for Extension of Time, Form 4868N, on or before the due date of the return, when you need to make a tentative Nebraska payment or a federal extension is not being requested;
4. Attaching a copy of the statement or letter submitted with your federal return requesting the automatic extension of time to file for a U.S. citizen residing outside the U.S. or Puerto Rico, to the Nebraska return when filed; or
5. Attaching information to document a combat zone-related extension.

Failure to attach the applicable extension document will result in a late filing penalty. **Even when an extension of time is given, interest is still due on any unpaid tax.** An extension of time cannot exceed a total of seven months after the due date of the return.

You can make a tentative payment to stop interest from accruing. If such payment is made, Nebraska Application for Extension of Time, Form 4868N, must also be filed. When filing your Nebraska Individual Income Tax Return, Form 1040N, claim the tentative payment on line 30, Form 1040N, as an estimated tax payment.

Additional Information for Certain Taxpayers

IF YOU FILED FEDERAL FORM 1040EZ, carefully review lines 4, 5, and 8, and related Form 1040NS instructions, or lines 4, 6, and 19, and related Form 1040N instructions. These instructions will tell you how to compute the number of personal exemptions you can claim on your Nebraska return.

IF YOU HAVE THE INTERNAL REVENUE SERVICE CALCULATE YOUR FEDERAL INCOME TAX, you may request that the Nebraska Department of Revenue calculate your Nebraska income tax. Your Form 1040N or Form 1040NS **must be filed by April 1** to allow time to calculate and bill you for any tax due. Interest will be assessed on any amount not paid by April 16, 2007.

Follow these instructions:

Form 1040NS

1. Complete the top portion of Form 1040NS through line 5, personal exemptions (be sure to complete your Public High School District Code).
2. Enter your withholding amount on line 10 and attach state copy of Forms W-2 from all employers.
3. Complete lines 18a, 18b, and 18c if you want your refund deposited directly into your bank account.
4. Sign and date your return. If married, both husband and wife must sign.

Form 1040N

1. Be sure to complete your Public High School District Code.

2. Complete the parts of your return through line 13 that apply to you. The line-by-line instructions that start on page 6 explain how to complete your return.
3. Read the instructions for lines 19 through 26, and lines 29 through 34, filling in the lines that apply to you. Please be sure to complete line 29 for Nebraska income tax withheld and attach withholding statements, W-2, W-2G, 1099-R, or 1099-MISC, from all employers or payors.
4. Complete any forms or schedules asked for on the lines you completed. Attach them when you file the return.
5. If you are claiming credit for taxes paid to another state, attach a **complete** copy of the income tax return, including all schedules, for each state for which credit is claimed. If tax was paid but no return filed for a subdivision of the other state, attach a W-2 statement supporting the tax paid.
6. Complete lines 45, 46, and 47, Schedule I, if you have adjustments increasing Nebraska income such as interest income from state and local obligations.
7. Complete lines 48 through 56, Schedule I, if you have U.S. bond interest or other adjustments decreasing Nebraska income. This includes any Tier I or II benefits paid by the Railroad Retirement Board included in federal adjusted gross income.
8. Credit for child/dependent care expenses. If you qualify to take this federal credit, and you are a full-year or partial-year resident, see lines 25 and 32 instructions on pages 8 and 9 of this booklet.
9. Credit for the elderly or the disabled. If you qualify to take this federal credit, and you are a full-year or partial-year resident, attach a copy of Federal Schedule R, Form 1040, or Federal Schedule 3, Form 1040A. If you want the department to calculate your state credit, supply the same information as required by the IRS when you ask them to calculate the federal credit. Refer to line 21 instructions on page 8 of this booklet.
10. Complete line 34 if claiming the Nebraska earned income credit.
11. Complete lines 44a, 44b, and 44c if you want your refund deposited directly into your bank account.
12. **Sign and date your return.** Both husband and wife must sign if a joint return is being filed.

ESTIMATED TAX PAYMENTS must be filed if your Nebraska income tax can reasonably be expected to exceed allowable credits by \$300 or more. Allowable credits for income tax include, but are not limited to, those listed on lines 19 through 26 of Form 1040N. Lines 29 through 34 of Form 1040N may also be used to offset income tax owed.

Payments of estimated tax ordinarily must be made in four equal installments on or before April 15, June 15, September 15, and January 15. Nebraska Individual Estimated Income Tax Payment Voucher, Form 1040N-ES, is to be used to report this tax. If paying by check or money order, remit the Nebraska Individual Estimated Income Tax Payment Voucher, Form 1040N-ES. See page 5 for details about paying your estimated tax by credit card.

PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX. ARE YOU PAYING \$300 OR MORE? If income tax withholding and estimated payments are not at least 90 percent of line 28, and line 28 minus line 35 is \$300 or more, you may owe a penalty. If you have underpaid your estimated tax for any period, obtain Form 2210N, Individual Underpayment of Estimated Tax, from the department to calculate any possible penalty. Enter any penalty in the space provided on line 36, include it in the line 37 total, and attach Form 2210N to your Form 1040N. You do not owe Form 2210N penalty if you had no income tax liability for 2005, you were a U.S. citizen or resident for all of 2005, and your 2005 return was for 12 full months. Also, if the total of Nebraska tax withheld, line 29, and your estimated payments, line 30, is at least as much as your 2005 income tax liability, you will not owe a penalty. See Form 2210N for special instructions for higher income individuals.

A FARMER OR RANCHER who files the 2006 Form 1040N and pays the Nebraska income tax due on or before March 1, 2007, is not required to make estimated tax payments during 2006; otherwise, the entire amount of estimated tax must be paid by January 15, 2007.

ESTIMATING YOUR 2007 INCOME TAX. If you need to estimate 2007 taxes, contact the department and request an estimated tax booklet. If you made estimated payments in 2006, a booklet will automatically be mailed to you.

MILITARY SERVICE PAY is subject to income tax only by the state where the servicemember is a legal resident. The place of legal residence at the time of entry into the service is presumed to be the state of legal residence. It remains so until legal residence in another state is established. The Nebraska income tax is imposed on all the federal adjusted gross income of a resident who is a member of the armed forces, regardless of where the income is received.

Be sure to check the box for active military on Forms 1040N or 1040NS, if you or your spouse are in the active military.

Military pay received by a nonresident servicemember stationed in Nebraska is not subject to Nebraska income tax. Other income derived from Nebraska sources by a servicemember, such as income earned from a separate job not connected with the member's military service, is subject to Nebraska income tax. **See special instructions on page 13.**

A servicemember's spouse living in Nebraska more than six months is a resident. Nonresident military families who file married joint federal returns may elect to file a Nebraska married joint return and can deduct any nonresident military service compensation included in the servicemember's federal adjusted gross income. More information is contained in the instructions for line 1 on page 6, the line 56 instructions on page 13, and in the Nebraska Department of Revenue's information guide titled, "Nebraska Income Tax for Military Servicemembers." Visit our Web site or contact the department, or any of the regional offices listed on the back cover of this booklet, for copies.

DEATH OF TAXPAYER. If a taxpayer died before filing a return for 2006, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return must write "**DECEASED**" across the top of the return. The taxpayer's name and the date of death are to be noted in the filing status area of the return.

If your spouse died in 2006 and you did not remarry in 2006, you may file a joint return. You may also file a joint return if your spouse died in 2007 before filing a 2006 return. A joint return should show your spouse's 2006 income before death and your income for all of 2006. Write "filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

CLAIMING A REFUND FOR A DECEASED TAXPAYER. If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting a deceased taxpayer's refund must file the return and attach **Form 1310N** and proof of death.

FISCAL YEAR RETURNS. The taxable year used for Nebraska must be the same as the year used for federal income tax purposes. For fiscal years beginning after January 1, 2006, the 2006 Nebraska Tax Table and Additional Tax Rate Schedule are to be used without adjustment.

The due date for a fiscal year return is the 15th day of the fourth month following the end of the taxable year. If the due date falls on a Saturday, Sunday, or legal holiday, you may file your return the first business day after the 15th day of the fourth month.

Refer to page 9, line 29 instructions for information on claiming withholding credit by a fiscal year taxpayer with a calendar year Federal Form W-2.

General Instructions for Electronic Filers

Filing Options

- ✓ **If using a paid tax preparer or commercial e-file software**, be sure that you can e-file both federal and Nebraska returns. Visit our Web site to view a list of e-file preparers in your community.
- ✓ **You can use commercially offered e-file software to e-file from your home computer.** Software can be purchased at retail outlets, downloaded from the Internet, accessed through the software company's Web site, or can be linked to from the department's Web site at www.revenue.ne.gov.
- ✓ **Many Nebraskans qualify to use the department's NebFile program.** NebFile provides a **FREE**, secure, state-only e-file option for Nebraska resident returns over the Internet. Visit our Web site for eligibility information and a link to NebFile.
- ✓ **If using NebFile, you must provide your 5 digit Personal Identification Number (PIN).** You will be instructed on how to get your PIN when accessing the NebFile system. If you did not file a Nebraska return last year, you will not have a PIN this year. In this case, you cannot use NebFile.
- ✓ **Over 98 percent of Nebraskans can e-file their state returns.** Certain credits (Form 1040N lines 22, 23, 24, 26, 31, and 33 and Schedule I, line 51) cannot be e-filed.
- ✓ **Remember**, if you e-file your Nebraska return, do not mail a return to the department.

Getting Your Refund **FAST**

- ✓ **Whether e-filing or filing a paper form, you can have your refund directly deposited into your bank account.** If you don't want to wait for a paper refund check, the department can deposit your refund for you. Using direct deposit with e-file means your refund will be processed within days rather than weeks. E-filers and paper filers both can use direct deposit as an optional convenience; however, paper filing will delay your direct deposit since your tax return information must still be manually entered.

Payment Options

- ✓ **Nebraska supports two electronic payment methods that makes filing your return completely paperless.** If you e-file and have a balance due, you can have the amount you owe automatically debited from your bank account using electronic funds withdrawal (EFW) or you can pay by credit card. See details below.
- ✓ **Payments can be made using Electronic Funds Withdrawal (EFW).** EFW is a payment option for remitting your balance due that is available **only with the Federal/State e-file program**, and is only for payments associated with Forms 1040N and 1040NS, (not for making estimated payments). To make your tax payment by EFW, you will be asked to provide information about your financial institution, the amount you want to pay, and the date you want the payment made. This includes:
 1. **Routing Number** identifies your financial institution. Your bank's Routing Number along with your Account Number are printed on your checks. The Routing Number is listed first and must be 9-digits. Do not use the number printed on your deposit slip.

2. **Account Number** identifies your account at your financial institution. Account Numbers may be up to seventeen (17) characters, and varies from bank to bank.
 3. **Type of Account** identifies whether your account is a checking account or a savings account.
 4. **Debit Date** is the date you request to have your funds withdrawn from your account. Valid dates range from the date the return is filed up to the due date. If your requested debit date has already passed, your account will be debited on the next business day following receipt of your return by the department. Accounts can't be debited prior to the date you request.
 5. **Debit Amount** is the amount that will be withdrawn from your financial institution and applied as payment towards your tax liability, including any applicable underpayment of estimated tax penalty. Your Debit Amount can be less than the amount you owe; however, if less, you will be billed for the difference. If it is paid after the due date, penalty and interest will be applied.
- ✓ **Payments made by EFW will be cancelled if your bank information is missing or inaccurate.** In this case, a notice will be mailed to you with an explanation. **You may cancel your EFW** any time up to two (2) days prior to the Debit Date. To cancel, call the department's Taxpayer Assistance at 1-800-742-7474 (toll free in Nebraska and Iowa) or 1-402-471-5729.
 - ✓ **Payments can be made by credit card.** E-filers and paper filers both can use the credit card payment option. You can use a credit card to pay either your final tax liability, or to make estimated tax payments. **Check the department's Web site for a complete list of approved credit card providers and payment instructions.** Payments can be originated through Official Payments Corporation (OPC) which also provides this service to the IRS for federal payments. **Eligible credit cards include American Express, Discover, MasterCard, and VISA.** A convenience fee of 2.49% of the tax payment (\$1 minimum) is charged to the card you use. This fee is paid to the credit card provider, not the state, and will appear on your credit card statement separately from the tax payment. You will be told what the fee is during the transaction, and you have the option of cancelling it.
 - ✓ **Secure credit card payments can be initiated over the Internet at www.officialpayments.com, or via telephone at 1-800-2PAY-TAX.** If you initiate your credit card payment using the OPC telephone option, you will need to provide the Nebraska Jurisdiction Code, which is **3700**. Follow instructions when asked to provide further information. At the completion of your transaction, you will be given a confirmation number for your records. (This confirmation number is different than any other confirmation number received for e-filing your return). Your transaction must be made on or before the due date to avoid penalty and interest.
 - ✓ **If you prefer to pay your balance due by check or money order and you file your Nebraska return electronically**, you can attach and mail your payment with a Nebraska Form 1040N-V, Payment Voucher. Form 1040N-V is provided by your tax preparer or by the software you use.
 - ✓ **If the amount you owe is \$300 or more, review the "Penalty for Underpayment of Estimated Tax" on page 4.** A tax due amount of less than \$2 need not be paid.

THIS YEAR, GO PAPERLESS!

Last year over half of all Nebraska taxpayers filed their state income tax returns electronically, whether they went to a professional tax preparer, or did it themselves over the Internet. Faster refunds, fewer errors, and a confirmation that your return was received are just a few of the advantages of e-filing your return.

E-FILE TIPS

1. **Before starting, prepare by gathering all your records together.** This includes wage statements, and interest and dividend statements (Forms W-2 and 1099).
2. **If filing using Internet-based commercial e-file software, carefully follow instructions provided in the software to complete your return.** NOTE: If you should encounter problems with this software, you must report it to the software company, not the Nebraska Department of Revenue.
3. **If you are unsure about what software to use, check our Web site for a list of approved commercial e-file software, including information about prices and capabilities.**
4. **Verify that your banking information is correct if using refund direct deposit or making payment by electronic funds withdrawal.**
5. **Regardless of how you e-file, make sure you get a confirmation number for your state return.**

Form 1040N Line Instructions

(for Form 1040NS instructions, see back of Form 1040NS)

LINE 1, FEDERAL FILING STATUS. Your Nebraska filing status must be the same as your federal filing status, unless a joint federal return was filed and the residency status of the two spouses is different. Check the box for the filing status actually used to calculate your Nebraska tax. Different residencies arise when one spouse is a resident while the other spouse is a nonresident at the same time. A couple with different residencies may file either a joint return or separate returns with Nebraska after filing a joint federal return.

The separate return must be calculated as if a federal separate return had been filed. The married filing separate income, deductions, and exemptions must be used. The spouse's social security number and name must be entered on the married filing separate line of the Nebraska separate return.

When a joint return for Nebraska is filed, the couple with different residencies has made an election for both to be treated as Nebraska residents while either is a resident. As residents, the income of both spouses is subject to Nebraska income tax. **Military families should review line 56 instructions.** Follow the appropriate instructions for either full-year or partial-year residents. To change this election of a joint return to separate returns on an amended return, see the instructions on the amended return.

LINE 2a. Check the following if, during 2006:

Box 1. **You** were 65 or older.

Box 2. **You** were blind.

Boxes 1 and 2. **You** were 65 or older **and** blind.

Box 3. Your **spouse** was 65 or older.

Box 4. Your **spouse** was blind.

Boxes 3 and 4. Your **spouse** was 65 or older **and** blind.

LINE 2b. Check box 5 if someone (such as a parent) can claim you or your spouse as a dependent.

LINE 3, TYPE OF RETURN. Resident taxpayers check box 1. Partial-year resident taxpayers check box 2 and enter dates of their Nebraska residency. Nonresidents check box 3. Nonresident and partial-year resident taxpayers must complete and attach Nebraska Schedule III, even if all income is earned in Nebraska. If one spouse is a full-year resident and the other is a nonresident or partial-year resident and they elect to file a joint return, a resident return must be filed and Schedule III cannot be used.

LINE 4, FEDERAL EXEMPTIONS, will be the same number of exemptions claimed on your federal return unless a different filing status is used for Nebraska. This includes the number of exemptions claimed on line 6d, Form 1040 or Form 1040A. **If you filed a Federal Form 1040EZ,** and on line 5 of the 1040EZ you entered \$8,450 (single) or \$16,900 (married-joint) enter "1" exemption if you are single, and enter "2" if married. If you entered an amount from the back of Form 1040EZ, enter "0" exemptions if you are single and enter "0" if you are married and both spouses can be claimed as dependents on another person's return. Enter "1" if you are married and only one of you can be claimed as a dependent on another person's return. **See the instructions for line 19, personal exemption credit, for information on claiming the credit for each personal exemption.**

If one spouse is a resident and the other is a nonresident, and a separate Nebraska return is being filed, enter the number of federal exemptions allowable in computing the separate federal return for Nebraska purposes.

LINE 5, FEDERAL ADJUSTED GROSS INCOME (AGI) is the amount reported on the federal return as adjusted gross income. Enter the amount from the following forms:

Form 1040EZ **Line 4**

Form 1040A **Line 21**

Form 1040 **Line 37**

If you were not required to file a federal return but must file a Nebraska return to report state and local bond interest, enter on line 5 all income which would have been included in federal adjusted gross income.

EXAMPLE: John is retired and receives a pension and interest from a savings account which total \$5,650 in 2006. He also receives income from federally tax-exempt state and local bonds from sources outside Nebraska, totaling \$8,000. His 2006 income for federal purposes is \$5,650. He is not required to file a federal return; however, since his income from non-Nebraska state and local bonds exceeds \$5,000, John is required to file a Nebraska return.

He must include the \$5,650 of income on line 5 **as if he had completed a federal return.** He must include the \$8,000 of non-Nebraska, tax-exempt state and local bond interest income on line 12, Form 1040N, and lines 45 and 47 of Nebraska Schedule I. George completes the remainder of the return as it applies.

Nonresident and partial-year resident taxpayers are reminded to include their total federal adjusted gross income on line 5, not merely Nebraska source income.

If you have a **Nebraska net operating loss**, include any negative Federal AGI on line 5, and complete the rest of the form. Use Form NOL to compute the loss to carry back. A net operating loss carryback from a 2006 loss is not allowed unless the loss has been reported on a 2006 Form 1040N.

Any taxpayers who include as income on Federal Form 1040 their children's interest and dividends (elected on Federal Form 8814) must include that income on line 5, Form 1040N.

SPECIAL INSTRUCTIONS

CHECK THE BOX BELOW LINE 5 only to show that **you had no federal liability**, had adjustments increasing Nebraska income of less than \$5,000, and are **not reporting a 2006 net operating loss**. If you checked this box, do not complete lines 6 through 16 and 19 through 27. Enter "0" on lines 17 and 28. Complete lines 1 through 5 and lines 29 through 44 as they apply. Generally, taxpayers checking this box are those filing to receive a refund of Nebraska income tax withholding, **not** to report a state tax liability.

EXAMPLE: Bob and Carolyn are married, have three children, and have adjusted gross income for 2006 of \$25,000. Bob's employer withheld \$290 for Nebraska income tax. Bob and Carolyn filed a federal return, subtracted their federal standard deduction (\$10,300) and five federal exemptions (\$16,500), and found they had no federal taxable income. **Bob and Carolyn have no federal liability. Therefore, they have no Nebraska liability.** They will want to file a Nebraska return to claim a refund of the income tax withheld by Bob's employer.

If you did not have a federal liability, but have adjustments such as non-Nebraska tax-exempt state and local bond interest, see the line 5 instructions above.

LINE 6, NEBRASKA STANDARD DEDUCTION. Do not enter the amount of your federal standard or itemized deductions.

If you are claimed as a dependent on another's return,

- ✓ Enter the standard deduction from the worksheet below on line 6 of Form 1040N.

If you filed —

FEDERAL FORM 1040EZ. If someone cannot claim you or your spouse (Federal Form 1040EZ, line 5), enter \$5,130 if single; or enter \$8,580 if married. If someone **can** claim you or your spouse, complete the worksheet below to determine the amount to enter.

FEDERAL FORM 1040A or 1040. If you claimed the federal standard deduction or you claimed itemized deductions on line 40 of Federal Form 1040, enter the **state standard deduction** for your filing status as indicated below:

- ✓ Single – **\$5,130**
- ✓ Head of household – **\$7,550**
- ✓ Married filing jointly or qualifying widow(ers) – **\$8,580**
- ✓ Married filing separately – **\$4,290**
- ✓ 65 or over, and/or blind – married, add **\$1,030** to the preceding values for each box checked on line 2a of Form 1040N; single or head of household, add **\$1,250** for each box checked
- ✓ If claimed as a dependent on another's return – complete following worksheet:

1. Enter amount from line 1 of the federal standard deduction worksheet for dependents (Form 1040 or 1040A) or from line C (Form 1040EZ). (If allowed minimum federal standard deduction of \$850, enter only \$810) 1. _____
2. Minimum standard deduction 2. 810
3. Enter the larger of line 1 or line 2 3. _____
4. State standard deduction for single, enter **\$5,130**; head of household, enter **\$7,550**; married-joint, enter **\$8,580** (married-separate, enter **\$4,290**) 4. _____
5. a. Enter the **smaller** of line 3 or line 4 here. If under 65 and not blind, **stop here** and enter this amount on line 6, Form 1040N. **Otherwise** go to line 5b 5a. _____
b. If age 65 or older or blind, multiply the number of boxes checked on line 2a, Form 1040N, by \$1,030 if married; or by \$1,250 if single 5b. _____
c. Add lines 5a and 5b. Enter the total here and on line 6 of Form 1040N 5c. _____

LINE 7, FEDERAL ITEMIZED DEDUCTIONS. If you itemized deductions, enter the amount from Federal Schedule A, line 28 which was entered on line 40 of Federal Form 1040. If you did not itemize deductions on your federal return, skip lines 7 through 9.

LINE 8, STATE AND LOCAL INCOME TAXES. Enter your state and local income taxes included on line 5 of Schedule A, Federal Form 1040 (even if your itemized deductions have been limited).

LINE 10. Enter line 6 or line 9, whichever is greater.

EXAMPLE: Ellen and Ray, who file married-joint, claim itemized deductions of \$10,800 on their federal return which included \$3,000 of state income tax. After completing lines 6 through 9, they find that when they file their Nebraska income tax return, they will claim the state standard deduction of \$8,580 because it is larger than their Nebraska itemized deductions:

Line 6. Nebraska standard deduction \$8,580
Line 7. Federal itemized deductions \$10,800
Line 8. State and local income taxes \$3,000
Line 9. Subtract line 8 from line 7 \$7,800
Line 10. Line 6 or line 9, whichever is greater \$8,580

ADJUSTMENTS TO FEDERAL ADJUSTED GROSS INCOME. Adjustments to your federal adjusted gross income are made for income that may be taxable on your federal return, but not taxable on the Nebraska return. They are also made for income that is taxable in Nebraska, but not at the federal level. Attach Nebraska Schedule I to the return to report Nebraska adjustments unless the only adjustment you are reporting is a state income tax refund.

LINE 12, ADJUSTMENTS INCREASING FEDERAL AGI. You must include all federally exempt state and local government interest except that issued by Nebraska state and local subdivisions. See more instructions on page 11.

LINE 13, ADJUSTMENTS DECREASING FEDERAL AGI. If you have a state income tax refund or had interest from U.S. obligations, you may have a deduction from federal adjusted gross income to include on line 13. You should read the instructions on pages 11, 12, and 13 to see what other adjustments are allowed.

If line 12 is -0-, and your only adjustment is a state income tax refund, enter the amount of the refund on line 13 and check the box below line 13. You do not need to complete Schedule I.

LINE 14, TAXTABLE INCOME. If you do not have adjustments to federal adjusted gross income, enter the line 11 amount on line 14. If you have adjustments, complete Schedule I, add lines 11 and 12, and subtract any line 13 amount. Enter the result on line 14.

This is your tax table income. This is the amount used to determine your Nebraska income tax. **Go to the 2006 Nebraska Tax Table located on pages 21 through 28 of this booklet to determine your tax liability.**

LINE 15, NEBRASKA INCOME TAX is taken from the Nebraska Tax Table on pages 21 through 28. All taxpayers must use the Nebraska Tax Table to calculate their Nebraska income tax liability. If federal adjusted gross income is more than \$150,500 (\$75,250 if married filing separate), include the total tax calculated on the Nebraska Tax Worksheet on page 29 which includes the additional tax calculated using the Nebraska Additional Tax Rate Schedule on page 29.

Nonresidents and partial-year residents will enter their tax calculation taken from line 71, Nebraska Schedule III.

LINE 16, NEBRASKA MINIMUM OR OTHER TAX is the sum of (1) federal **alternative minimum tax**, (2) federal tax on **lump-sum distributions of qualified retirement plans**, and (3) federal tax on **early distributions of qualified retirement plans**; multiplied by 29.6 percent.

Use the worksheet that follows to calculate line 16. Nonresidents and partial-year residents use the worksheet results while completing the calculation for line 72, Nebraska Schedule III.

NEBRASKA MINIMUM OR OTHER TAX WORKSHEET	
1. Alternative minimum tax, from Federal Form 6251 recalculated for Nebraska using Nebraska Revenue Ruling 22-06-1	\$ _____
2. Tax on lump-sum distributions (enter federal tax amount from Federal Form 4972)	_____
3. Tax on early distributions (enter lesser of federal tax amount from Part I, Federal Form 5329 or line 60 of Federal Form 1040) ..	_____
4. SUBTOTAL (Add lines 1 through 3)	_____ x .296
5. TOTAL (line 4 multiplied by 29.6%)	\$ _____

ENTER THIS TOTAL ON LINE 16, FORM 1040N

Attach a copy of your Federal Form 4972, 5329 (1040 if 5329 not required) or recalculated Form 6251 to your return.

A credit for prior year minimum tax must be calculated according to Revenue Ruling 22-06-2, and is entered on line 20. Also check the box on line 20 to indicate you are reporting an "AMT Credit." Nonresidents and partial-year residents claim this credit on line 68, Nebraska Schedule III.

LINE 17. All taxpayers enter the **total of lines 15 and 16**.

If you had no tax to report on your federal return, and adjustments increasing income on Schedule I, line 47, of less than \$5,000, enter "0" on lines 17 and 28. Complete lines 29 through 44 of Form 1040N as they apply.

LINE 18. Enter the amount from line 17.

LINE 19, NEBRASKA PERSONAL EXEMPTION CREDIT.

Residents claim a \$106 credit for each federal exemption reported on line 4, Form 1040N.

EXAMPLE: Mr. and Mrs. Bourg, who are Nebraska residents, have AGI of \$25,000 and claim three exemptions on line 4. Their personal exemption credit on line 19 is as follows: \$106 x 3 = \$318. They enter \$318 on line 19 and include it in the line 27 total.

Nonresidents and partial-year residents claim the credit on line 69 of Nebraska Schedule III, not on line 19.

LINE 20, CREDIT FOR TAX PAID TO ANOTHER STATE,

is calculated on line 62 of Nebraska Schedule II. Nebraska residents claiming credit for income tax paid to another state or its political subdivisions, or the District of Columbia are to complete and attach Schedule II. Attach a **complete** copy of the return, including schedules and attachments filed with the other state, or attach a letter or statement from the other state showing the income reported and tax paid to support the credit claimed. **A separate Schedule II must be completed for each state in which you paid income tax.**

Nebraska law does not allow credit for taxes paid to a foreign country or its political subdivisions.

If the other state's return is amended or changed by that state, file an Amended Nebraska Individual Income Tax Return, Form 1040XN, to report the change in the credit for tax paid to the other state.

LINE 21, CREDIT FOR THE ELDERLY OR THE DISABLED, is equal to the amount shown on line 30 of Federal Form 1040A or line 49 of Federal Form 1040. If the federal credit has been limited by your federal tax liability, use the lesser amount. This credit may be claimed only by Nebraska full-year or partial-year residents. Full-year residents should

enter the amount of the federal credit on line 21. Partial-year residents must enter "0" on line 21, and enter the lesser of the federal credit or the total Nebraska tax on line 68, Nebraska Schedule III. Attach a copy of Federal Schedule R, pages 1 and 2, or Federal Schedule 3 to your Form 1040N.

If you had the IRS calculate your federal credit for the elderly or disabled, attach a copy of the Schedule R or Schedule 3 mailed with your federal return to Form 1040N, and the department will figure this credit.

LINE 22, COMMUNITY DEVELOPMENT ASSISTANCE ACT (CDA) CREDIT, is the credit allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. See the instructions on the 2006 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information. Form CDN and a copy of Form 1099NTC must be attached to the Form 1040N.

LINE 23, FORM 3800N NONREFUNDABLE CREDIT, is the nonrefundable credit allowed to qualified businesses that expand their economic investment or employment base in Nebraska. Request Form 3800N, or contact the department for more information.

LINE 24, FORM 829N CREDIT, is the credit allowed to participating employees who have had wages withheld by an employer who has a contract that has qualified under the Nebraska Quality Jobs Act. Employees qualifying for this credit will receive Forms 829N and W-829 from their employer. Complete Form 829N and enter the amount from line 12 of Form 829N on line 24 of Form 1040N. Attach Forms 829N and W-829.

LINE 25, NONREFUNDABLE CREDIT FOR CHILD/DEPENDENT CARE EXPENSES. Resident taxpayers whose income on line 5 is more than \$29,000, can claim a nonrefundable child/dependent care credit on line 25. Partial-year residents whose line 5 income is more than \$29,000 claim this credit on line 68, Nebraska Schedule III, Form 1040N, and enter "0" on line 25. If line 5 income is \$29,000, or less, both residents and partial-year residents claim the credit on line 32 and enter "0" on line 25. Taxpayers who file a joint federal return but are filing a married-separate Nebraska return cannot claim this Nebraska credit.

Calculate the credit on line 25 or line 68 by multiplying the amount on line 29 of Federal Form 1040A, or line 48, Federal Form 1040, by 25% (.25).

LINE 26. THE NEBRASKA CHARITABLE ENDOWMENT TAX CREDIT is only for certain Nebraska residents and part-year residents who qualify. It is calculated at **15 percent** of a **planned gift** (see definition on our Web site) to a qualified Nebraska charitable endowment, up to a maximum **\$5,000** credit (\$10,000 for married filing joint filers). The credit cannot exceed your income tax liability on line 17 of Form 1040N.

Taxpayers claiming this credit **must attach a statement** which includes the following:

1. Name, address, and federal identification number of the **qualified endowment** (or a statement from the partnership, S corporation, or fiduciary containing this information if the individual has received a credit distributed from one of these pass-through entities);
2. **Value of the planned gift** as determined under applicable federal guidelines; and
3. **Date the gift** was contributed.

For more details regarding this credit, see our Web site www.revenue.ne.gov.

LINE 28. Use the worksheet below to determine if you can enter your federal tax liability. Do not complete if you have adjustments increasing income of \$5,000 or more (Form 1040N, Schedule I, line 47).

FEDERAL TAX LIABILITY WORKSHEET	
Complete the following worksheet to determine whether Nebraska tax after nonrefundable credits is larger than your federal tax liability and should be reduced to the federal tax liability amount.	
1. Enter federal tax before credits:	
a. Form 1040EZ, line 11.....	1a. \$ _____
b. Form 1040A, line 28.....	1b. _____
c. Form 1040, line 44.....	
Form 1040, line 45.....	
Form 1040, line 60.....	
Total tax—Form 1040.....	1c. _____
Total federal tax	
(enter tax from 1a, 1b, or 1c).....	1. _____
2. Nebraska Form 1040N, line 18 minus line 27....	2. \$ _____
Enter the smaller of lines 1 and 2 on line 28, Form 1040N, and check federal liability box if line 1 is used.	

LINE 29, NEBRASKA INCOME TAX WITHHELD. Add the amounts shown as Nebraska income tax on the state copy of the Federal Forms W-2, W-2G, 1099-R, or 1099-MISC sent to you by your employer or payor. If you had more than one employer or payor, attach the state copy from **each** employer or payor. Enter the total state withholding on line 29.

If you received Form W-829 from your employer, do not include the amount shown as Nebraska income tax withheld on the W-2 received from that employer. Complete Form 829N and claim the appropriate credit on line 24. See the line 24 instructions above.

A fiscal year taxpayer who has W-2's issued on a calendar-year basis must attach the 2006 W-2's to the 2006 Form 1040N for the fiscal year beginning in 2006. If you receive your 2007 W-2 before filing your 2006 Form 1040N, save it to attach to your 2007 Form 1040N.

Nonresidents who had Nebraska income tax withheld from payments for personal services provided should attach a copy of the 1099-MISC issued to them by the payor.

Nonresidents claiming credit for Nebraska tax withheld by a partnership, limited liability company, S corporation, estate, or trust are to obtain from their organization a copy of the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Enter the amount withheld and paid to Nebraska on line 29, and attach the canary copy of Form 14N to Form 1040N in the space provided for Form W-2. A nonresident who has a tax year different from the tax year shown on the Form 14N for his or her organization is to attach the Form 14N with the tax year ending during the individual's tax year. A calendar-year taxpayer is to attach the Form 14N for tax years ending in 2006 to the 2006 Form 1040N.

LINE 30, ESTIMATED TAX PAYMENTS, is the sum of the installment payments made for 2006 plus any 2005 overpayment that you applied to your 2006 estimated tax. If you made a tentative Nebraska income tax payment on or before the original due date of your return to stop the accumulation of interest, also claim this amount on line 30.

If you made estimated tax payments for tax year 2006 in a joint status with your spouse, **or** if you had a carryover of estimated credit from a married filing joint 2005 overpayment, **and** you are not filing a married filing joint 2006 tax return, please provide an allocation schedule showing the proper

distribution of the estimated carryover and the estimated payments for each individual.

LINE 31, FORM 3800N REFUNDABLE CREDIT. Enter on line 31 any refundable credit calculated on Form 3800N. For more information, contact Taxpayers Assistance or check our Web site.

LINE 32. REFUNDABLE CHILD/DEPENDENT CARE EXPENSES CREDIT (AGI \$29,000 or less). This credit may be claimed only by Nebraska full-year residents or partial-year residents. It cannot be claimed if you filed a joint federal return but a Nebraska married-separate return. If you did **not** file Schedule 2 (Form 1040A) or Federal Form 2441 (Form 1040), you must complete Nebraska Form 2441N and attach it to your Nebraska return. Refer to the following chart and enter on line 3 of the worksheet below the applicable percentage for your adjusted gross income (AGI) level:

AGI	But		AGI	But	
Over	not over	Percent	Over	not over	Percent
\$0 or less-22,000.....	100%		\$25,000-26,000.....	60%	
22,000-23,000.....	90%		26,000-27,000.....	50%	
23,000-24,000.....	80%		27,000-28,000.....	40%	
24,000-25,000.....	70%		28,000-29,000.....	30%	

REFUNDABLE CHILD/DEPENDENT CARE CREDIT WORKSHEET	
1. Enter line 9 amount from 2006 Schedule 2 (Form 1040A) or Federal Form 2441 (Form 1040), or from Nebraska Form 2441N , (Enter the amount calculated on line 9 prior to the federal credit limitation).....	
1. \$ _____	
2. Enter federal adjusted gross income (line 5, Form 1040N).....	
2. _____	
3. Enter percentage from chart if AGI is \$29,000 or less.....	
3. _____ %	
(Note: If AGI is more than \$29,000, STOP; you cannot claim a credit on line 32; refer to line 25 instructions instead)	
4. Multiply line 1 by line 3 percentage; residents, enter result on line 32, partial-year residents, complete lines 5 and 6.....	
4. _____	
5. Enter line 66 ratio from Schedule III.....	
5. _____	
6. Multiply line 4 by line 5, enter result on line 32	
6. _____	

LINE 33. BEGINNING FARMER CREDIT is the credit granted to eligible claimants who receive a certificate from the Nebraska Department of Agriculture. For further information on this credit, contact the Department of Agriculture at 1-402-471-6890 or 1-800-446-4071.

LINE 34, NEBRASKA EARNED INCOME CREDIT. Nebraska residents and partial-year residents who have a federal earned income credit are allowed a state credit equal to 8% (.08) of the federal credit. Complete the federal credit information from line 8a (Form 1040EZ), line 40a (Form 1040A), or line 66a (Form 1040). Enter the number of qualifying children using information from Federal Schedule EIC (Forms 1040 or 1040A). **If you file married-separate, you cannot claim this credit.**

Partial-year residents will compute any earned income credit on Nebraska Schedule III.

LINE 36, PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX. Are you paying more than \$300 with your return? Use Nebraska Form 2210N to determine if you owe this penalty. If you are required to calculate a Form 2210N penalty, report it on line 36. See our Web site for Form 2210N. Do not include any late filing penalties on this line.

LINE 38, TOTAL AMOUNT DUE, is the amount owed to the State of Nebraska, including the applicable underpayment of

estimated tax penalty. **A tax due amount of less than \$2.00 need not be paid.** Payment options for the amount on line 38 include:

✓ **CHECK OR MONEY ORDER.** Attach your check or money order payable to the Nebraska Department of Revenue. Please type or print your social security number on the face of your check or money order. If you file electronically, attach your check or money order to Form 1040N-V. Checks written to the Department of Revenue may be presented for payment electronically.

✓ **CREDIT CARD.** You can pay your tax due amount by credit card. Your payment will be effective on the date you complete the charge transaction. **See Additional Instructions On Electronic Payment Options on page 5.**



✓ **ELECTRONIC FUNDS WITHDRAWAL.** Your payment can be automatically withdrawn from your bank account on the date you specify. **This payment option is available only if you file your tax return electronically through the Federal/State e-file program, and if the preparer or software you use supports this option. See instructions on page 5.**

LINE 40, 2007 ESTIMATED TAX. Enter on line 40 the amount of overpayment you want applied to your 2007 estimated tax.



**A CHECK FOR
WILDLIFE**



LINE 41, NONGAME AND ENDANGERED SPECIES FUND. You can contribute \$1.00 or more of your refund to this fund. Your contributions are used by the Nebraska Game and Parks Commission to protect and manage nearly 500 kinds of

nongame and endangered birds, mammals, amphibians, fish, and reptiles. The fund will help prevent species from becoming endangered by protecting their habitat.

If you are not entitled to a refund, you may send a contribution directly to the Nongame and Endangered Species Conservation Fund at the following address. For more information on the Nongame and Endangered Species Program, contact the Nebraska Game and Parks Commission, Wildlife Division, 2200 North 33rd Street, Lincoln, NE 68503-0370, or call 1-402-471-0641.

LINE 42, NEBRASKA CAMPAIGN FINANCE CONTRIBUTION.

You may voluntarily contribute \$1.00 or more of your refund to the Campaign Finance Limitation Cash Fund. The purpose of the Campaign Finance Limitation Act is to lessen the reliance of candidates on contributions from special interest organizations by providing contributed funds to assist in financing election campaigns of candidates seeking statewide offices. For more information, contact the Nebraska Accountability and Disclosure Commission, 11th Floor, State Capitol, P.O. Box 95086, Lincoln, NE 68509-5086, or call 1-402-471-2522.

LINE 43, AMOUNT TO BE REFUNDED. Enter on line 43 the amount of overpayment you want refunded to you after subtracting lines 40, 41, and 42 from line 39. **No amount less than \$2.00 will be refunded.**

If a taxpayer has an existing tax liability of any kind with the Nebraska Department of Revenue, an overpayment reflected on this return may be applied to such liability. The department will then notify the taxpayer.

LINE 44, DIRECT DEPOSIT. In order to have your refund deposited directly into your checking or savings account, it is necessary to enter the routing number and account number found on the bottom of the checks used with the account. The routing number is listed first and must be nine (9) digits. The account number is listed to the right of the routing number and can be up to seventeen (17) digits. Enter these numbers in the boxes found on lines 44a and 44c. Also complete line 44b, Type of Account.

Nebraska Schedules I, II, and III Instructions

Nebraska Schedule I

PART A — ADJUSTMENTS INCREASING FEDERAL AGI

LINE 45. INTEREST INCOME RECEIVED FROM STATE AND LOCAL BONDS. You must report the income reported on line 8b of Federal Form 1040A, or line 8b of Federal Form 1040. List on line **45a** all state and local government interest that is federally exempt. While this income is exempt for federal tax purposes, it is an addition to income for Nebraska income tax purposes. This amount can be reduced by expenses not previously deducted which relate to the production of this income only if you claim federal itemized deductions.

LINE 45b. List bonds issued by Nebraska state and local government subdivisions. This includes bonds such as Nebraska municipal water bonds, NPPD bonds, **federally exempt** NIFA bonds, local city, or school district bond obligations.

Regulated investment company. You must include on line **45a** any income from a regulated investment company (including certain mutual funds) which invests in state and local obligations. Any part of the fund dividend **attributable to Nebraska source bonds** may be used to reduce the total income amount. Enter such part on line **45b**.

LINE 46. OTHER ADJUSTMENTS INCREASING FEDERAL AGI.

Federal net operating loss deduction. If you deducted a federal net operating loss carryforward in computing your federal AGI, you must include this amount as a positive number on line 46, Schedule I.

S corporation and Limited Liability Company (LLC) non-Nebraska loss. A loss from an S corporation or LLC that is not from Nebraska sources increases an individual's adjusted gross income. The loss should be entered on line 46, Schedule I, as a positive number.

Nebraska College Savings Plan. Include on line 46 any distribution from the Nebraska College Saving Plan resulting from the cancellation of a participation agreement refunded to the taxpayer to the extent previously deducted. This includes contributions previously claimed as exempt on the Nebraska income tax return.

Long-Term Care Savings Contribution. Include on line 46 any required **recapture** of a previous deduction for a long term care savings contribution.

Report any other allowable adjustments increasing federal adjusted gross income.

PART B — ADJUSTMENTS DECREASING FEDERAL AGI

LINE 48. STATE INCOME TAX REFUND DEDUCTION. If you received an individual income tax refund, credit, or offset of state or local individual income tax in 2006 that is included as taxable income on line 10 of your Federal Form 1040, you may deduct this amount on line 48 of Nebraska Schedule I.

If this is your *only* adjustment decreasing or increasing income, do not file Schedule I. Instead, check the box on line 13 of Form 1040N and enter the state income tax refund on line 13.

LINE 49. U.S. GOVERNMENT OBLIGATIONS EXEMPT FOR STATE PURPOSES.

Interest or dividend income included in federal adjusted gross income from the following sources is deductible for Nebraska tax purposes. If you have income from one of these obligations, include the **type of bond** and the **amount received** from each on line 49a of Schedule I. Attach a schedule, if necessary, listing all the bonds for which a deduction is claimed. **Note: capital gains from the sale of U.S. obligations are not deductible.** Exempt U.S. government obligations include:

1. U.S. government bonds, such as series EE and HH savings bonds,
2. U.S. Treasury bills,
3. U.S. government notes,
4. U.S. government certificates,
5. Commodity Credit Corporation,
6. Federal Home Loan Banks,
7. Federal Reserve Banks,
8. Federal Savings and Loan Insurance Corporation,
9. Tennessee Valley Authority bonds,
10. Interest on debentures issued to mortgagees of mortgages foreclosed under the National Housing Act if insured after February 3, 1938,
11. Postal Service bonds,
12. Retirement bonds as provided by I.R.C. section 409,
13. Farm Credit Bank Consolidated System-wide bonds,
14. Farm Credit System including the following members unless noted elsewhere:
 - a. Federal Land Banks and Federal Land Bank Associations,
 - b. Federal Intermediate Credit Banks,
 - c. Federal Farm Mortgage Corporation, and
 - d. Any other institution chartered by and subject to the supervision of the Farm Credit Administration unless noted elsewhere,
15. General Service Administration Participation Certificates,
16. Federal Housing Finance Board,
17. Resolution Trust Corporation,
18. Reconstruction Finance Corporation.

Interest, but not dividend income, included in federal adjusted gross income from the following sources is deductible for Nebraska individual income tax purposes:

1. Federal Deposit Insurance Corporation (F.D.I.C.),
2. Student Loan Marketing Association,
3. Production Credit Association, or
4. Central Bank for Cooperatives.

Obligations which cannot be deducted for Nebraska tax purposes. Several quasi-governmental organizations issue bonds which are not considered to be backed by the full faith and credit of the U.S. government or whose licensing act did not specifically exempt them from state taxation. **These are NOT deductible for Nebraska purposes:**

1. Federal or State Banks,
2. Federal or State Savings and Loan Associations,

3. Building and Loan Associations,
4. Postal Savings Accounts (discontinued in 1966),
5. Export Import Bank bonds,
6. Federal or State Credit Unions,
7. Interest on debentures issued to mortgagees of mortgages foreclosed under the National Housing Act if insured before February 3, 1938,
8. Interest on federal income tax refunds,
9. Farmers Home Administration,
10. New Community debentures,
11. Merchant Marine bonds,
12. Ship Financing bonds,
13. U.S. Merchant Marine Ship notes,
14. U.S. Merchant Marine Offshore Ship Services notes,
15. Federal Home Loan Mortgage Corporation,
16. World Bank,
17. International Bank for Reconstruction and Development bonds,
18. Asian Development Bank notes and bonds,
19. Inter-American Development Bank bonds,
20. Interest from U.S. Government Life Insurance (unless exempted by I.R.C. section 101[d][1][B]),
21. Bankers' Acceptance,
22. Certificates of Deposit,
23. Penn Central Transportation certificates,
24. Federal Financing Bank,
25. Federal National Mortgage Association (FNMA's),
26. Federal Mortgage Corporation (FMC's)
27. Government National Mortgage Association (GNMA's),
28. Chrysler Corporation secured notes,
29. Lockheed convertible bonds, and
30. Washington Metropolitan Area Transit Authority bonds.

LINE 49b. GOVERNMENT MONEY MARKET OR MUTUAL FUNDS. Certain government money market or mutual funds issued by regulated investment companies claim to be obligations of the U.S. government.

Nebraska law provides that dividends from a regulated investment company investing directly in exempt U.S. government obligations are **deductible to the extent they represent exempt U.S. government obligations**. To claim a deduction on line 49b, the fund must issue to the holder a statement showing the percent of the dividend which represents exempt U.S. government obligations. If you have received a dividend from such a fund, you must list on line 49b the name of the fund and the portion of the dividend representing exempt U.S. government obligations.

Repurchase agreements. Interest income from repurchase agreements involving U.S. government obligations **is not** deductible as U.S. government interest, and **cannot** be taken as an adjustment decreasing federal adjusted gross income on line 49. Capital gains from the sale of U.S. government obligations are not deductible.

LINE 50. RAILROAD RETIREMENT BOARD PENSION PAYMENTS. List any federally taxed Tier I or II retirement benefits paid by the Railroad Retirement Board (RRB). This includes any dual vested benefits or supplemental annuities. Also report any unemployment or sickness insurance payments made by the RRB. Attach a copy of Forms RRB-1099 and RRB-1099-R from the RRB.

LINE 51. SPECIAL CAPITAL GAINS DEDUCTION. Nebraska resident individuals may elect to deduct from their

adjusted gross income the gain received from the sale or exchange of capital stock of a "qualified" corporation acquired either because of employment by the corporation or while employed by the "qualified" corporation. Individuals are entitled to one election during their lifetime for the capital stock of one "qualified" corporation.

Special Capital Gains Election Computation, Form 4797N, and a copy of Federal Schedule D must be attached to your Form 1040N to report your election. The amount of the deductible capital gain is entered on line 51.

LINE 52. NEBRASKA COLLEGE SAVINGS PLAN.

Nebraska allows a subtraction from an account owner's federal adjusted gross income for the amount of annual contributions made to the Nebraska College Savings Plan administered by the State Treasurer who has contracted with Union Bank of Lincoln. The maximum annual exempt contribution per return is \$1,000 (\$500 married filing separately). You cannot deduct contributions made to other states' plans on line 52. **Only the account owner may claim this deduction.**

Donations, gifts, and grants to the Nebraska educational savings plan trust for deposit to the endowment fund are, to the extent not deducted for federal income tax purposes, allowed as a subtraction from the donor's federal adjusted gross income on Line 52. You must enclose a **copy of the letter** of receipt from the State Treasurer's office acknowledging the gift received.

LINE 53. BONUS DEPRECIATION SUBTRACTION. Use the worksheet below to compute the amount to report on line 53 of Nebraska Schedule I. For any bonus depreciation previously added back on a Nebraska return for tax years 2000, 2001, and/or 2002, you can claim a subtraction for tax year 2006 for the second 20 percent of the total amount previously added back (Column A). For any bonus depreciation previously added back on a Nebraska return for tax years 2003, 2004, and/or 2005, you can claim a subtraction for tax year 2006 for the first 20 percent of the total amount previously added back (Column B).

LINE 53 WORKSHEET		
	PREVIOUS BONUS DEPRECIATION ADD-BACK	
Tax Year	Column A	Column B
2000	\$ _____	
2001	\$ _____	
2002	\$ _____	
2003		\$ _____
2004		\$ _____
2005		\$ _____
Col. A and B Totals	\$ _____	\$ _____
Multiply by 20%:	x .20	x .20
Col. A and B Results	\$ _____	\$ _____
Amount to report on line 53. Add		
Columns A and B Results.	\$ _____	

LINE 54. ENHANCED SECTION 179 SUBTRACTION.

For tax year 2006, you can deduct 20 percent of the total amount previously added back in 2003, 2004, and 2005. Use the worksheet below to compute the amount to report on line 54 of Nebraska Schedule I.

LINE 54 WORKSHEET	
	Enhanced Section 179 Add-Back
Tax Year	
2003	\$ _____
2004	\$ _____
2005	\$ _____
Total	\$ _____
Multiply by (20%)	x .20
Amount to report on line 54	\$ _____

LINE 55. NEBRASKA LONG-TERM CARE SAVINGS PLAN CONTRIBUTION. Nebraska allows a deduction on line 55 for the amount of annual contributions made to the Nebraska Long-Term Care Savings Plan administered by the State Treasurer. The maximum annual exempt contribution per return is \$1,000 (\$2,000 married filing joint). Documentation **will be required** to claim this deduction. Please see our Web site, www.revenue.ne.gov, for further information on claiming this deduction.

Earnings generated from the savings program are also exempt and may be subtracted to the extent included in federal adjusted gross income for 2006.

LINE 56. Enter any other allowable adjustments decreasing federal adjusted gross income. E-filers are limited to claiming only those deductions listed below. Allowable deductions for paper filers may include, but are not limited to:

S Corporation and Limited Liability Company non-Nebraska income. Income from an S corporation or limited liability company that is not from Nebraska sources is deductible on line 56. Attach Schedule K-1 received from the S corporation or limited liability company together with a copy of the Nebraska apportionment factor of the S corporation or limited liability company. Income from partnerships, LLP's, and other entities cannot be deducted.

Nonresident military servicemember active duty pay. Nonresident military families who file married joint federal returns may elect to file a Nebraska married joint return and can deduct any nonresident military service compensation included in the servicemember's federal adjusted gross income. Write "Nonresident military service compensation" together with the amount being deducted on line 56. **The 2006 Form W-2 issued by the armed forces to the servicemember must be attached to Form 1040N.**

Native American Indian reservation income. Native American Indians residing on a Nebraska Native American Indian reservation with income derived from sources within the boundaries of the reservation may deduct such income on line 56.

Claim of right repayment. A taxpayer who is required on a federal return to take a credit for a claim of right repayment may deduct the amount of the repayment on line 56.

Nebraska net operating loss carryforward. A Nebraska net operating loss from an earlier year which is available for carryforward to 2006 is deducted on line 56.

Nebraska ag revenue and federally taxable NIFA bonds. Income from bonds which are subject to federal income tax but exempt from Nebraska tax by Nebraska law is deducted on line 56. List the name of the bond(s).

Nebraska Schedule II – Credit for Tax Paid to Another State

NOTE: A "Conversion Chart" is available on the department's Web site which lists acceptable line 59 and line 61 entries from other states.

Complete this schedule if you were a Nebraska resident the entire year and are claiming credit for income tax paid to another state, political subdivision, or the District of Columbia. Partial-year residents, even though having established residency as of December 31, 2006, must use Nebraska Schedule III.

Prepare a separate Nebraska Schedule II to compute the allowable credit for each state in which you paid income tax. The total credits cannot exceed the Nebraska tax liability. If some income is subject to an income tax of both another state and a city in that state, complete only one Nebraska Schedule II and combine the city and state taxes paid.

Attach a copy of the complete income tax return, including schedules and attachments, filed with the state or city for which the credit is claimed. If the tax is not reported on an income tax return, attach a copy of a letter or statement from the other state or city showing the income and the tax paid. **If the returns, schedules or other documents are not attached to Nebraska Schedule II, the credit will not be allowed.** If you are claiming credit for income tax paid to a state's political subdivision not requiring the filing of an annual income tax return, attach a Form W-2 which shows the subdivision's tax withheld.

LINE 59. Enter the amount shown on the return filed with the other state as adjusted gross income, or gross income derived from sources within that state. **Do not** include any income from S corporations or LLC's reported on line 56 or income which is not included in federal adjusted gross income after Nebraska adjustments from lines 12 and 13, Form 1040N.

LINE 60. Calculate the factor to at least five decimal places, and then round to four decimals. For example, if your division result is .12346, round to .1235 (12.35%).

LINE 61. Enter the amount actually paid to the other state. It is shown on the attached return of the other state after subtracting the other state's nonrefundable credits. **The total of the other state's tax withheld on the wage and tax statement is not to be claimed on this line**, except for a political subdivision of another state that does not require the filing of an annual income tax return.

If a husband and wife file separate Nebraska returns but a joint return in another state, attach a calculation of each spouse's share of the total tax paid to the other state. Use the net income of each spouse that is taxed by the other state in the calculation.



NEBRASKA DEPARTMENT OF REVENUE

Automated Voice Response System

1-402-471-2971

- Press **1** for Motor Fuels Assistance
- Press **2** for Taxpayer's Assistance
- Press **3** to order income tax forms
- Press **4** for Nebraska Lottery

If you wish to speak with someone other than Taxpayer's Assistance or if you are calling from a rotary dial phone, please hold the line and someone will be with you.

Income Tax Forms Order Line

1-800-626-7899*

- Press **1** to order your income tax forms.

You will be asked to state your name and a daytime telephone number, then

- Press **8**

Please state and spell your name or company name, then

- Press **8**

Please state and spell your mailing address, including your zip code, then

- Press **8**

Please state the title, form number, and the quantity of each income tax form you are requesting, then

- Press **8**

*This number cannot be used with a rotary phone.

Tax Assistance

1-800-742-7474**

(outside Nebraska or Iowa, call 1-402-471-5729)

Press 1 for English, Press 2 for Spanish

- Press **1** to check status of 2006 individual income tax refund.
- Press **2** for income tax forms order line.
- Press **3** for assistance with individual income tax return and PIN information.
- Press **4** for business tax.
- Press **5** for annual sales tax return.
- Press **8** for problems with refund status.
- Press **9** to replay message.

** If you are calling from a rotary dial phone, please hold the line and someone will be with you.

Nebraska Schedule III – Computation of Nebraska Tax

Taxpayers filing a nonresident or partial-year resident return must complete Nebraska Schedule III to determine the tax on their income derived from or connected with Nebraska sources.

LINE 63. Enter the income derived from Nebraska sources, or attach a schedule with the sources and amounts of income and deductions, characterized as they were on the federal return. Nebraska income for a partial-year resident includes all items of Nebraska income for a nonresident plus all of the income earned while a Nebraska resident that is not taxed by another state. This includes dividends, interest, pension income, the sale of intangibles, and wages earned outside Nebraska.

Wages, salaries, tips, and commissions are the same amounts included in your federal income tax return derived from or connected with Nebraska sources. If the books and records do not clearly reflect specific identification of each income item, apportion the income to Nebraska based on either the days worked in Nebraska to the total days worked, or the volume of business transacted. Attach an explanation.

Dividends, interest, and other passive income, such as gains or losses from the sale of stock or securities, are usually not considered income from Nebraska for a nonresident unless earned in a business carried on in Nebraska. Do not include income from U.S. obligations listed on line 49.

Business income is the amount of net income or loss from a business, trade, or profession in Nebraska. Activity both within and without Nebraska, where the income is taxable in another state, must be apportioned in the same manner as a corporation. Business income is multiplied by an apportionment factor to determine the amount taxable by Nebraska.

Farming income is the amount of net income or loss from farming operations carried on within Nebraska.

Partnership, S corporation, limited liability company, estate or trust income is the individual's share of the entity's income and deductions derived from Nebraska.

Gain or loss is the net amount of all capital gains and losses derived in Nebraska from the sale, exchange, or involuntary conversion of real or personal tangible or intangible property.

Rent and royalty income is the net amount of rent and royalty income derived from or connected with Nebraska sources.

Lottery prizes are derived from Nebraska sources when awarded in a lottery game conducted pursuant to the Nebraska Lottery Act.

A net operating loss carryforward may be deducted only if it resulted from Nebraska sources. (Attach Form NOL)

LINE 64. Include the adjustments reported on lines 16 through 19 of Federal Form 1040A, or lines 23 through 35 of Federal Form 1040, that apply to income from Nebraska sources. Jury duty pay, domestic production activity and penalty on early savings withdrawal are deductible only if directly related to Nebraska income reported on line 63. Payments to an IRA, a self-employed health insurance plan, or a SIMPLE or SEP plan attributed to Nebraska income included on line 63 are deductible only to the extent of the ratio of the payments based on the Nebraska wages or self-employment income to the total wages or income for which the payments were made. Identify the adjustment(s). A Roth IRA is **not** deductible on line 64. Alimony or a student loan interest deduction may be deducted based on the ratio of line 63 income reported to total income of the taxpayer. Moving expenses as reported on Federal Form 3903 may only be deducted by partial-year residents who moved into Nebraska.

If you claimed a bonus depreciation subtraction on line 53, or an enhanced Section 179 subtraction on line 54, include these amounts on line 64.

LINE 66. Calculate the factor to at least five decimal places and then round to four decimals. For example, if the line 66 result is .12346, round to .1235 (12.35%) before computing line 71. Even if lines 5 and 63 are negative numbers, the ratio computed in line 66 cannot exceed 100 percent.

LINE 68. Enter, from the Nebraska Tax Table, the Nebraska tax on line 67 income. Also enter any tax from the Additional Tax Rate Schedule if your federal adjusted gross income is more than \$150,500 (\$75,250 if married filing separately) —see instructions.

Partial-year residents enter any Nebraska credit for the elderly or disabled, credit for child/dependent care expenses, Nebraska Charitable Endowment Tax credit, or credit for prior year minimum tax. See lines 16, 21, 25, 26, and 32 instructions in this booklet. Partial-year residents with Federal AGI of \$29,000 or less do not claim their child care credit here. Instead, complete the line 32 worksheet on page 9 to figure your refundable credit for these expenses. Enter this result on line 32. Calculate any Nebraska earned income credit on lines 73 and 74.

Nonresidents are not allowed a Nebraska earned income credit, credit for the elderly or disabled, or a credit for child/dependent care expenses. Nonresidents enter credit for prior year minimum tax. See line 16 instructions on pages 7 and 8 of this booklet. Do not enter credits on lines 16, 21, 25, 26, 32, or 34. Line 68 cannot be less than zero.

LINE 69. Enter your credit for personal exemption(s). **Do not enter on line 19.**

LINES 73 AND 74. Complete the number of qualifying children and the federal credit information. Calculate any Nebraska earned income credit. **Enter result on line 34.**